

UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR
ENDED 30 JUNE 2010

Annual Financial Statements

for

UBUHLEBEZWE MUNICIPALITY

for the year ended 30 June: **2010**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:

Name of Chief Financial Officer:

Mrs D Mohapi

Contact telephone number:

724303959

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cfo@ubuhlebezwe.org.za

Name of relevant Auditor:

AUDITOR GENERAL

Contact telephone number:

033 2647400

Contact e-mail address:

UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY EXECUTIVE COUNCIL

Councillor	N J Peterson (Mayor)	Full time
Councillor	N C Vezi (Deputy Mayor)	
Councillor	N H Mkhize (Speaker)	
Councillor	D W Khumalo	
Councillor	N M Khoza - resigned	
Councillor	B E Mdlalose	Full time

MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY COUNCIL

Councillor	T C Dlamini
Councillor	N Jili
Councillor	Z D Nxumalo
Councillor	M W Ngidi
Councillor	S C Shezi
Councillor	M J Mtshali
Councillor	V T Nene
Councillor	S P Bhengu
Councillor	N F Gutshwa
Councillor	T R Ndlovu
Councillor	B P Nzimande
Councillor	F Ndlovu
Councillor	M E Mkhize
Councillor	P B Manci
Councillor	E M M Nzimande
Councillor	EPN Pupuma
Councillor	S H Dlamini
Councillor	M S Ngubo

Municipal Manager Mr H F Jacobs

Chief Financial Officer Mrs D Mohapi

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First National Bank of South Africa Ixopo

UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office:	29 Margaret Street Ixopo
Physical address:	3276 29 Margaret Street Ixopo 3276

Postal address:	P O Box 132 Ixopo 3276
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Telephone number:	039 8342074
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Fax number:	039 8341168
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E-mail address:	mm@ubuhlebezwe.org.za
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UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

UBUHLEBEZWE MUNICIPALITY
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UBUHLEBEZWE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Non-current assets		48 643 045	35 743 574
Property, plant and equipment	10	48 520 747	35 558 487
Long -term receivables	3	122 298	185 087
Current assets		46 576 514	36 930 581
Trade Receivables from exchange transactions.	11	2 032 722	63 002
Trade Receivables from non-exchange transactions.	12	1 102 370	3 841 232
Value added taxation receivable from exchange transactions.	9	3 237 544	3 525 834
Call investment deposits	13	27 218 294	26 997 870
Bank balances and cash	14	12 985 583	2 502 643
Total Assets		95 219 559	72 674 155
LIABILITIES			
Non Current Liabilities		-	3 347 954
Long term liabilities	7	-	3 347 954
Current liabilities		24 827 361	25 219 353
Creditors	5	3 223 771	4 835 262
Value added taxation payable from exchange transactions	8	-	3 463 225
Unspent conditional grants and receipts	6	21 603 589	16 363 294
Current portion of long-term liability	7	-	557 572
Total Liabilities		24 827 361	28 567 307
Total Assets an Liabilities		70 392 198	44 106 848
NETT ASSETS			
Housing Development Fund	1	348 799	332 032
Accumulated surplus		70 043 399	43 774 816
Total Net Assets		70 392 198	44 106 848

UBUHLEBEZWE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	15	4 213 343	3 406 124
Service charges	16	1 045 771	1 019 293
Rental of facilities and equipment	25	445 966	342 081
Interest earned - external investments	26	1 526 160	2 774 702
Interest earned - outstanding debtors	27	-	2 728
Fines		23 887	88 924
Licences and permits		2 899 197	2 402 687
Government grants and subsidies	17	42 698 685	21 758 664
Fixed assets funded from grants		10 671 458	
Other income	29	761 679	446 147
Total revenue		64 286 146	32 241 350
Expenses			
Employee related costs	18	11 247 129	10 251 583
Remuneration of councillors	19	4 219 070	4 032 522
Repairs and maintenance		1 069 079	1 026 646
Contracted services	20	357 032	-
Depreciation	30	151 612	-
Grants and subsidies paid	21	14 702 413	746 184
General expenses	22	9 851 800	6 941 110
Interest Expenses - External Borrowings		102 011	
Contributions to provisions		840 715	
Total expenses		42 540 861	22 998 045
Surplus / (deficit) for the period		21 745 285	9 243 305

UBUHLEBEZWE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2010

	Pre -GRAP Reserves and Funds	Housing Development Fund	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R'000	R	R	R
Balance at 30 June 2008	20 866 162	332 032	5 562 191	26 760 385
Changes in accounting policy			-	-
Restated balance	20 866 162	332 032	5 562 191	26 760 385
Correction of prior period error			-	-
Surplus / (deficit) for the period			9 243 305	9 243 305
Balance at 30 June 2009	20 866 162	332 032	14 805 496	36 003 690
Implementation GRAP (Note)	(20 866 162)		20 866 162	0.00
Restated balance	-	332 032	35 671 658	36 003 690
Interest on Housing Development Fund		-	-	-
Transfers to / from accumulated surplus/(deficit) (Acc Depreciation)			8 103 158	8 103 158
Balance at 30 June 2009	-	332 032	43 774 816	44 106 848
Changes in accounting policy			-	-
Restated balance	-	332 032	43 774 816	44 106 848
Correction of prior period error			-	-
Surplus / (deficit) for the period			21 745 285	21 745 285
Balance at 30 June 2010	-	332 032	65 520 101	65 852 133
Interest on Housing Development Fund		16 767		16 767
Correction of prior period error			2 270 289	2 270 289.30
Restated balance	-	348 799	67 790 390	65 868 900
Transfers to / from accumulated surplus/(deficit) (Acc Depreciation)			2 253 009	2 253 009
Balance at 30 June 2010	-	348 799	70 043 399	70 392 198

UBUHLEBEZWE MUNICIPALITY CASH FLOW STATEMENT as at 30 June 2010			
	Note	2009 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			90 617 940
Payments			(79 914 576)
Net cash flows from operating activities			10 703 364
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
Corrections fixed assets			
Proceeds from sale of investments			
Net cash flows from investing activities			-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities			-
Net increase / (decrease) in net cash and cash equivalents			10 703 364
Net cash and cash equivalents at beginning of period			29 500 512
Net cash and cash equivalents at end of period			40 203 876

UBUHLEBEZWE MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and principles contained in Directive 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs and applicable to the operations of the municipality, defined as Generally Recognised Accounting Practice ("GRAP"), comprises the approved and effective standards of GRAP, together with certain statements of International Public Sector Accounting Standards ("IPSASs"), as well as International Financial Reporting Standards ("IFRSs"), comprising International Accounting Standards ("IASs"), in cases where a relevant standard of GRAP has not been issued. The standards therefore applicable to these financial statements, are therefore:"

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 5 Borrowing Costs

GRAP 6 Consolidated and Separate Financial Statements

GRAP 9 Revenue from Exchange Transactions

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events after the Reporting Date

GRAP 16 Investment property

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations

GRAP 102 Intangible Assets

IPSAS 20 Related Party Disclosure

IPSAS 21 Impairment of Non Cash-Generating Assets

IFRS 7 Financial Instruments: Disclosures

IAS 19 Employee Benefits

IAS 32 Financial Instruments: Presentation

IAS 36 Impairment of Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 4 Determining whether an arrangement contains a lease

1.1 Changes in accounting policy and comparability

For the year ended 30 June 2010, the municipality has adopted the accounting framework as set out in point 1 above. The details of comparative restatements are set out in the notes that follow.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or

b) results in the financial statements providing reliable and more relevant information about the effects

of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories, is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3, 4 & 5, the municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

Multi-employer defined benefit funds are accounted for as defined contribution funds as set out in note 13.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components

of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Infrastructure		Other	
Roads and Paving	15 - 30 yrs.	Buildings	30 yrs.
Community		Specialist vehicles	7 yrs.
Buildings	30 yrs.	Other vehicles	5 yrs.
Recreational Facilities	30 yrs.	Office equipment	5 yrs.
Security	3 - 5 yrs.	Furniture and fittings	7 yrs.
Halls	30 yrs.	Bins and containers	10 yrs.
Libraries	30 yrs.	Specialised plant and equipment	7 yrs.
Parks and gardens	30 yrs.	Other items of plant and equipment	
Other assets		Emergency equipment	7 yrs.
		Computer equipment	
Heritage assets			
Buildings	N/A		
Paintings and artifacts	N/A		
Finance lease assets			
Office equipment	5 yrs.		
Other assets			

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10 Transitional Provision

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GRAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2009 (and retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 3.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has been performed for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 36/AC128 and GRAP 3.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has been performed for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of IPSAS 21.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software, websites and the valuation roll) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. The municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
 - Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Transitional Provisions

Investment properties were recognised in terms of IAS 40 and subsequently measured in accordance with the cost model, but the fair values were not disclosed in the previous financial year as required by IAS 40 as this requirement was exempted in terms of General Notice 522 of 2007. The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2009 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 3.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 17)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset Classification in terms of IAS 39.09

Short-term Investment Deposits – Call Held-to-maturity investments

Bank Balances and Cash Available for sale investments

Long-term Receivables Loans and receivables

Consumer Debtors Loans and receivables

Other Debtors Loans and receivables

Investments in Fixed Deposits Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 7)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit or loss; or

- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

6.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

6.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

6.7 Transitional Provisions

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

7.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

7.2 Liquidity Risk

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note XX.Y to the annual financial statements.

Risk management of Financial Assets and Liabilities were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Risk management of Financial Assets and Liabilities are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IFRS 7 and GRAP 3.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public [auction. Net](#) realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8.3 Transitional Provisions

Although the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in accordance with the requirements of GAMAP 12 was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in the previous financial year. Immovable capital assets that meet the definition and recognition criteria of inventory continued to be recognised as inventories for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 12 and ASB Directive 3.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

9.3 Transitional Provisions

The municipality accounted for the disposal of Non-current assets and Disposal Groups in the previous financial year in accordance with the requirements of GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate, and not in accordance with the requirements of IFRS 5 as these requirements were exempted in terms of General Notice 522 of 2007. Accounted for the disposal of Non-current assets and Disposal Groups for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of GRAP 100 and ASB Directive 3.

10. REVENUE RECOGNITION

10.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.7 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue was initially recognised at cost and not at fair value in the previous financial year as the requirements of GAMAP 9.12 and SAICA circular 09/2006, which states that revenue should be recognised initially at fair value through discounting all future receipts using an imputed rate of return, have been exempted in terms of General Notice 522 of 2007. Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 SAICA circular 09/2006.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007. The municipality accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 3 and 5.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The defined benefit fund was last actuarially valued during the reporting period ending 30 June 2006.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment hereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

14.LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15.BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16.VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17.CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18.UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19.IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20.FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21.CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. The municipality continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

22.RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23.EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24.COMPARATIVE INFORMATION**24.1 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25.CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26.TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 HOUSING OPERATING ACCOUNT			
Housing Operating Account		<u>348 799</u>	<u>332 032</u>
The Housing Development Fund is represented by the following assets and liabilities :			
Cash and cash equivalents.		<u>348 799</u>	<u>332 032</u>
		<u>348 799</u>	<u>332 032</u>
2 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		-	-
Total Non-Current Provisions		<u>-</u>	<u>-</u>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is based on management assessment of the rehabilitation costs of the dumpsite. A study will be done to determine the cost estimate in the near future,			
Provision for rehabilitation of landfill sites:			
Balance at the beginning of year			-
Contributions to provision			-
Expenditure incurred			-
Balance at the end of year		<u>-</u>	<u>-</u>
3 LONG-TERM RECEIVABLES			
Staff loans		-	49 788
Housing selling scheme loans		122 298	122 298
Other non-current receivables		-	-
		<u>122 298</u>	<u>172 087</u>
Less : Current portion transferred to current receivables		-	-
Staff loans		-	-
Housing selling scheme loans		-	-
Other non-current receivables		-	-
Total		<u>122 298</u>	<u>172 087</u>
STAFF LOANS		-	49 788
HOUSING SELLING SCHEME LOANS		122 298	122 298
4 PROVISIONS			
Performance bonus		-	-
Current portion of rehabilitation of the landfill site. see note)		-	-
Total Provisions		<u>-</u>	<u>-</u>
Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.			
The movement in current provisions are reconciled as follows: -			
			Performance Bonus
as at 1 July 2009			-
Contributions to provision			-
Expenditure incurred			-
as at 30 June 2010		<u>-</u>	<u>-</u>
as at 1 July 2008			-
Contributions to provision			-
Expenditure incurred			-
as at 30 June 2009		<u>-</u>	<u>-</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
5 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	1 856 020	524 812
Deposits Other	-	1 703
Payments received in advance	176 765	71 925
Retentions	-	328 455
Staff leave accrual	1 021 393	817 122
Unallocated Debtors	149 293	-
Other creditors	20 300	3 091 245
Total creditors	3 223 771	4 835 262

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

Anti Corruption Grant	177	177
C D W Grant	-	10 928
C M I P Grant	-	(1 959)
Capital Investment Program	9 700	203 500
Chicken Abattoir	-	(165 263)
Disaster Fund	-	(53 769)
Fairview Low Cost Housing	-	-
Financial Management Grant	727 852	729 913
M F M A Implementation Grant	134 899	134 899
G I S Grant 07/08	157 750	157 750
G I S Grant	79 856	79 856
Hawkers/Taxi Grant	1 033 341	1 033 341
H R Systems Governance	7 170	7 170
I D P Grant	-	(248 727)
Inter Departmental Grant	-	(38 504)
Ixopo Sportsfields	307 058	-
Internal Roads	10 531 600	-
Kuyasa School Grant	4 302	4 302
L E D Gijima	-	(56 000)
Land Use Manageent	220 238	250 555
Library Assistant	3 023	(88 978)
Library Building Grant	-	884 222
M I G Grant	6 013 351	12 970 819
Mahehle L C H	-	-
Management Assistance	288 894	(6 127)
Marithal Project	8 196	8 197
Market Stalls	350 877	350 877
Mgodi Multi Purpose Centre	0	(378 389)
Municipal Development Planning Capacity Building	24 973	24 973
Municipal Administrative Development	9 000	9 000
Mziki L C H	-	-
Nokweja Disaster Fund	13 414	22 858
P M S Grant	-	(117 499)
Programme Support	16 908	16 908
Project Consolidate	574 008	634 740
Project Management Unit	-	(303 818)
Property Rates Grant	-	(148 952)
Public Participation Governance	-	(519 463)
Sangcwaba Grant	673 950	566 573
Sponya Housing Project	-	(23 866)
Waste Disposal Site	413 051	413 050

Total Unspent Conditional Grants and Receipts

21 603 589 16 363 294

See Note 17 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
7 LONG TERM LIABILITIES			
Annuity Loans		(3 905 526)	(3 905 526)
		(3 905 526)	(3 905 526)
Less : Current portion transferred to current liabilities		-	
Less : Additional redemption (Early settlement)		3 905 526	557 572
Annuity Loans			(557 572)
Total long term liabilities.		-	(3 347 954)

Refer to Appendix A for more detail on borrowings.

8 VAT PAYABLE

VAT payable	-	3 463 225
	-	3 463 225

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

9 VAT RECEIVABLE

VAT receivable	3 237 544	3 525 834
	3 237 544	3 525 834

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Intangible	Specilised Vehicles	Other Assets	Total
	R	R	R	R	R	R	R	R	R
as at 1 July 2009	4 179 772	7 163 048	9 744 823	12 025 817	-	-	221	2 444 807	35 558 487
Cost/Revaluation	4 179 772	9 946 649	11 808 643	13 440 012	-	-	308 359	6 270 529	45 953 963
Correction of error (note)	-	-	-	-	-	-	-	-	-
Change in accounting policy (note)	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(2 783 601)	(2 063 820)	(1 414 195)	-	-	(308 138)	(3 825 722)	(10 395 476)
Acquisitions	-	-	2 720 144	7 892 589	-	-	822 709	1 091 233	12 526 675
Capital under Construction	-	-	-	-	-	-	-	-	-
Depreciation	-	(334 016)	(755 379)	(477 484)	-	-	(42 081)	(795 661)	(2 404 621)
Carrying value of disposals	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-
Other movements*	-	(40 862)	2 102 463	778 605	-	-	-	-	2 840 206
as at 30 June 2010	4 179 772	6 788 170	13 812 050	20 219 527	-	-	780 849	2 740 379	48 520 747
Cost/Revaluation	4 179 772	9 905 787	16 631 250	22 111 206	-	-	1 131 068	7 361 762	61 320 844
Accumulated depreciation and impairment losses	-	(3 117 617)	(2 819 199)	(1 891 679)	-	-	(350 219)	(4 621 383)	(12 800 097)
as at 1 July 2008	4 179 772	9 946 649	11 808 643	13 440 012	-	-	308 359	6 270 529	45 953 963
Cost/Revaluation	4 179 772	9 946 649	11 808 643	13 440 012	-	-	308 359	6 270 529	45 953 963
Correction of error (note)	-	-	-	-	-	-	-	-	-
Change in accounting policy (note)	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-	-
Depreciation	-	(2 783 601)	(2 063 820)	(1 414 195)	-	-	(308 138)	(3 825 722)	(10 395 476)
Carrying value of disposals	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-
as at 30 June 2009	4 179 772	7 163 048	9 744 823	12 025 817	-	-	221	2 444 807	35 558 487
Cost/Revaluation	4 179 772	9 946 649	11 808 643	13 440 012	-	-	308 359	6 270 529	45 953 963
Accumulated depreciation and impairment losses	-	(2 783 601)	(2 063 820)	(1 414 195)	-	-	(308 138)	(3 825 722)	(10 395 476)

Refer to Appendix B for more detail on property, plant and equipment

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

11 CONSUMER DEBTORS

	2010	2009
	R	R
Rates	6 101 518	4 054 541
Electricity	9 045	11 231
Self Help Scheme	114 638	115 749
Refuse	2 064 935	1 888 606
Sundry	76 104	84 671
Rent	379 181	471 210
Unallocated Credits	(176 765)	(81 358)
Vat. Debtors	100 610	-
	8 669 265	6 544 650
Difference between ledger & ageing		167 317
Total service debtors	8 669 265	6 377 333
Less provision for bad debts	-6 636 542	(6 314 331)
Total	2 032 722	63 002

No comparative amounts are available for credits included in the consumer debtors

Rates: Ageing

Current (0 – 30 days)	160 320	(3 828)
31 - 60 Days	130 852	-
61 - 90 Days	-	66 582
91 - 120 Days	125 139	102 722
Greater than 120 days.	5 686 879	3 889 065
Total	6 103 190	4 054 541

Electricity: Ageing.

Current (0 – 30 days)		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
Greater than 120 days.	10 312	11 231
Total	10 312	11 231

Self Help Scheme: Ageing.

Current (0 – 30 days)	-	1 704
31 - 60 Days	1 853	1 704
61 - 90 Days	-	1 704
91 - 120 Days	1 853	1 520
Greater than 120 days.	127 965	109 116
Total	131 670	115 748

Rent: Ageing.

Current (0 – 30 days)	60 745	30 005
31 - 60 Days	26 292	14 473
61 - 90 Days	-	7 001
91 - 120 Days	24 776	6 918
Greater than 120 days.	314 494	412 813
Total	426 306	471 210

Refuse: Ageing.

Current (0 – 30 days)	187 604	64 990
31 - 60 Days	61 761	67 515
61 - 90 Days	-	56 827
91 - 120 Days	58 000	53 008
Greater than 120 days.	2 044 244	1 646 267
Total	2 351 608	1 888 607

Sundry: Ageing.

Current (0 – 30 days)	-	(81 358)
31 - 60 Days	-	1 500
61 - 90 Days	-	1 500
91 - 120 Days	-	81 671
Greater than 120 days.	83 432	
Total	83 432	3 313

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

11.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(6 314 331)	(2 758 926)
Consumer Debtors	(6 314 331)	(2 758 926)
Other Debtors	-	-
Contribution for the year	(500 000)	(3 555 405)
Consumer Debtors	(500 000)	(3 555 405)
Other Debtors	-	-
(Release from) Contribution to provision	-	-
Consumer Debtors	-	-
Other Debtors	-	-
Bad Debts written of against provision.	177 788	-
Consumer Debtors	(6 636 542)	(6 314 331)
Other Debtors	-	-
Balance at end of year.	(6 636 542)	(6 314 331)

12 OTHER DEBTORS

Sundry Debtors	61 440	-
Payroll Suspense	12 206	-
Other debtors DOH Low cost housing	575 080	-
Other debtors	163 510	3 841 232
Amounts paid in advance	176 765	-
Deposits paid	113 370	-
Total Other Debtors	1 102 370	3 841 232

13 CURRENT INVESTMENTS

Call investments	27 218 294	26 997 870
	27 218 294	26 997 870

Investment Bank account

First National Bank - Ixopo Branch
Account Number 62143895988 Short Term Investment Account

Bank statement balance at the beginning of the year	15 010 733	-
Bank statement balance at the end of the year	5 608 581	15 010 733

Investment Bank account

First National Bank - Ixopo Branch
Account Number 62115867337 Short Term Investment Account

Bank statement balance at the beginning of the year	1 171	-
Bank statement balance at the end of the year	-	1 171

Investment Bank account

First National Bank - Ixopo Branch
Account Number 62074735534 Short Term Investment Account

Bank statement balance at the beginning of the year	9 273 761	-
Bank statement balance at the end of the year	-	9 273 761

Investment Bank account

First National Bank - Ixopo Branch
Account Number 62073549316 Short Term Investment Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	461 897

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068625510-001 Short Term Investment Account

Bank statement balance at the beginning of the year	391 522	-
Bank statement balance at the end of the year	-	391 522

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068730276-001 Short Term Investment Account

Bank statement balance at the beginning of the year	193 884	-
Bank statement balance at the end of the year	-	193 884

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068730276-003 Short Term Investment Account

Bank statement balance at the beginning of the year	593 401	-
Bank statement balance at the end of the year	-	593 401

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068730276-002 Short Term Investment Account

Bank statement balance at the beginning of the year	1 071 500	-
Bank statement balance at the end of the year	-	1 071 500

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068730276-004 Short Term Investment Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	2 385 579	-

Investment Bank account

Standard Bank Account - Ixopo Branch
Account Number 068730276-005 Short Term Investment Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	4 520 500	-

Investment Bank account

First National Bank - Ixopo Branch
Account Number 62248166218 Short Term Investment Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	573 177	-

Investment Bank account

Ithala - Ixopo Branch
Account Number 46110293 3 month Investment (22/04/2010 - 22/07/2010)

Interest accrued till maturity - 6.02%

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 539 831	-

Investment Bank account

Nedbank - Ixopo Branch
Account Number 7881076763/004 Fixed Deposit 32 Day (18/06/2010 - 20/07/2010)

Interest accrued till maturity - 6.35%

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 618 182	-

Investment Bank account

Nedbank - Ixopo Branch
Account Number 7881076763/002 Fixed Deposit 3 months (31/05/2010 - 15/07/2010)

Interest accrued till maturity - 6.55%

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 964 028	-

Investment Bank account

Absa - Ixopo Branch
Account Number 20-7042-5909 Fixed Deposit 34 days (15/06/2010 - 19/07/2010)

Interest accrued till maturity - 6.40%

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 008 416	-

TOTAL SHORT TERM INVESTMENTS

27 218 294	26 997 870
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UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

14 BANK BALANCES AND CASH

Cash and cash equivalents consist of the following:

Cash on hand
Petty Cash

-	-
3 650	1 350
3 650	1 350

The Municipality has the following main bank accounts: -

Primary Bank Account

First National Bank Ixopo - 52552416194

Cash book balance at beginning of year
Cash book balance at end of year

2 501 293	590 365
12 981 933	2 501 293

Bank statement balance at beginning of year
Bank statement balance at end of year

3 731 133	-
12 881 389	2 501 293

Petty cash and cash on hand

3 650	1 350
-------	-------

Total bank, cash and overdraft balances.

12 985 583	2 502 643
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15 PROPERTY RATES

Actual

Residential
Commercial
Agriculture
Other
State

4 213 343	3 406 124
-	-
-	-
-	-
-	-

Total property rates

4 213 343	3 406 124
------------------	------------------

Property rates - penalties imposed and collection charges

-	-
---	---

Total

4 213 343	3 406 124
------------------	------------------

Valuations

Residential
Commercial
State
Municipal
Agricultural
Donation: Sport & Welfare
Total Property Valuations

-	262 575 500
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Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Rates are levied on an monthly basis with the final date of payment being the end of every month. Interest at 10% per annum is levied on outstanding rates.

16 SERVICE CHARGES

Refuse removal
Total Service Charges

1 045 771	1 019 293
1 045 771	1 019 293

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	29 012 539	35 828 951
Anti Corruption Grant	177	177
C D W Grant	-	10 928
C M I P Grant	-	(1 959)
Capital Investment Program	9 700	203 500
Chicken Abattoir	-	(165 263)
Disaster Fund	-	(53 769)
Fairview Low Cost Housing	-	-
Financial Management Grant	727 852	729 913
M F M A Implementation Grant	134 899	134 899
G I S Grant 07/08	157 750	157 750
G I S Grant	79 856	79 856
Hawkers/Taxi Grant	1 033 341	1 033 341
H R Systems Governance	7 170	7 170
I D P Grant	-	(248 727)
Inter Departmental Grant	-	(38 504)
Internal Roads	10 531 600	-
Kuyasa School Grant	4 302	4 302
L E D Gijima	-	(56 000)
Land Use Manageent	220 238	250 555
Library Assistant	3 023	(88 978)
Library Building Grant	(228 378)	884 222
M I G Grant	6 013 351	12 970 819
Mahehle L C H	(1 200)	-
Management Assistance	288 894	(6 127)
Marithal Project	8 197	8 197
Market Stalls	350 877	350 877
Mgodi Multi Purpose Centre	-	(378 389)
Municipal Development Planning Capacity Building	24 973	24 973
Municipal Administrative Development	9 000	9 000
Mziki L C H	(573 880)	-
Nokweja Disaster Fund	13 414	22 858
P M S Grant	-	(117 499)
Programme Support	16 908	16 908
Project Consolidate	574 008	634 740
Project Management Unit	-	(303 818)
Property Rates Grant	-	(148 952)
Public Participation Governance	-	(519 463)
Sangcwaba Grant	673 950	566 573
Sponya Housing Project	-	(23 866)
Waste Disposal Site	413 050	413 050

Total Unspent Conditional Grants and Receipts

20 493 072 16 363 294

17.1 Equitable Share

Balance unspent at beginning of year

Current year receipts	29 012 539	35 828 951
Conditions met - transferred to revenue	(29 012 539)	(35 828 951)
Conditions still to be met - remain liabilities (see note 7)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17.2 Anti Corruption Grant

Balance unspent at beginning of year	177	18 327
Current year receipts		
Conditions met - transferred to revenue		(18 150)
Conditions still to be met - remain liabilities (see note 7)	<u>177</u>	<u>177</u>

17.3 C D W Grant

Balance unspent at beginning of year	10 928	10 928
Current year receipts		
Conditions met - transferred to revenue	(10 928)	
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>10 928</u>

17.4 C M I P Grant

Balance unspent at beginning of year	(1 959)	(1 959)
Adjustments	1 959	
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(1 959)</u>

17.5 Capital Investment Programme

Balance unspent at beginning of year	203 500	400 000
Current year receipts		
Conditions met - transferred to revenue	(193 800)	(196 500)
Conditions still to be met - remain liabilities (see note 7)	<u>9 700</u>	<u>203 500</u>

17.6 Chicken Abatoir

Balance unspent at beginning of year	(165 263)	
Adjustments	165 263	
Current year receipts		
Conditions met - transferred to revenue		(165 263)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(165 263)</u>

17.7 Disaster Fund

Balance unspent at beginning of year	(53 769)	(53 769)
Adjustments	53 769	
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(53 769)</u>

17.8 Fairview LCH

Balance unspent at beginning of year	(2 036 249)	(2 036 249)
Adjustments	2 036 249	
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(2 036 249)</u>

17.9 Financial Management Grant

Balance unspent at beginning of year	729 913	474 618
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	(502 061)	(244 705)
Conditions still to be met - remain liabilities (see note 7)	<u>727 852</u>	<u>729 913</u>

17.10 G I S Grant

Balance unspent at beginning of year	79 856	169 808
Current year receipts		
Conditions met - transferred to revenue		(89 952)
Conditions still to be met - remain liabilities (see note 7)	<u>79 856</u>	<u>79 856</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17.11 GIS Grant 07/06

Balance unspent at beginning of year	157 750	200 000
Current year receipts		
Conditions met - transferred to revenue		(42 250)
Conditions still to be met - remain liabilities (see note 7)	<u>157 750</u>	<u>157 750</u>

17.12 Hawkers/Taxi Grant

Balance unspent at beginning of year	1 033 341	1 033 341
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>1 033 341</u>	<u>1 033 341</u>

17.13 HR Systems Governance

Balance unspent at beginning of year	7 170	137 000
Current year receipts		
Conditions met - transferred to revenue		(129 830)
Conditions still to be met - remain liabilities (see note 7)	<u>7 170</u>	<u>7 170</u>

17.14 I.D.P. Grant

Balance unspent at beginning of year	(248 727)	(240 448)
Adjustments	248 727	
Current year receipts		
Conditions met - transferred to revenue		(8 279)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(248 727)</u>

17.15 Inter Dept Monitoring Grant

Balance unspent at beginning of year	(38 504)	(28 951)
Adjustments	38 504	
Current year receipts		
Conditions met - transferred to revenue		(9 553)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(38 504)</u>

17.16 Internal Roads

Balance unspent at beginning of year	-	-
Adjustments	-	
Current year receipts	11 500 000	
Conditions met - transferred to revenue	(968 400)	-
Conditions still to be met - remain liabilities (see note 7)	<u>10 531 600</u>	<u>-</u>

17.17 Kuyasa School Grant

Balance unspent at beginning of year	4 302	4 302
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>4 302</u>	<u>4 302</u>

17.18 L E D Gijima

Balance unspent at beginning of year	(56 000)	(56 000)
Adjustments	56 000	
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(56 000)</u>

17.19 Land Use Management

Balance unspent at beginning of year	250 555	289 273
Current year receipts		100 000
Conditions met - transferred to revenue	(30 317)	(138 718)
Conditions still to be met - remain liabilities (see note 7)	<u>220 238</u>	<u>250 555</u>

17.2 Library Assistant

Balance unspent at beginning of year	(88 978)	(6 710)
Adjustments	88 978	
Current year receipts	96 000	
Conditions met - transferred to revenue	(92 977)	(82 268)
Conditions still to be met - remain liabilities (see note 7)	<u>3 023</u>	<u>(88 978)</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17.21 Library Building Grant

Balance unspent at beginning of year	884 222	(189 236)
Adjustments		
Current year receipts		1 123 309
Conditions met - transferred to revenue		(49 851)
Conditions still to be met - remain liabilities (see note 7)	884 222	884 222

17.22 M I G Grant

Balance unspent at beginning of year	12 970 819	2 466 749
Adjustments	(3 187 492)	
Current year receipts	10 164 000	10 504 070
Conditions met - transferred to revenue	(13 933 977)	
Adjustments - expenditure.		
Conditions still to be met - remain liabilities (see note 7)	6 013 350	12 970 819

17.23 Mahehle LCH

Balance unspent at beginning of year	(330 655)	(258 287)
Adjustments	330 655	
Current year receipts		362 982
Conditions met - transferred to revenue	(1 200)	(435 350)
Conditions still to be met - remain liabilities (see note 7)	(1 200)	(330 655)

17.24 Management Assistance

Balance unspent at beginning of year	6 127	226 055
Adjustments	(6 127)	6 127
Current year receipts	300 000	500 000
Conditions met - transferred to revenue	(11 108)	(726 055)
Conditions still to be met - remain liabilities (see note 7)	288 892	6 127

17.25 Marlthal Project

Balance unspent at beginning of year	8 197	8 197
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	8 197	8 197

17.26 Market Stalls

Balance unspent at beginning of year	350 877	
Current year receipts		350 877
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	350 877	350 877

17.27 MFMA Implementation Grant

Balance unspent at beginning of year	134 899	134 899
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	134 899	134 899

17.28 Mgodini Multi Purpose Centre

Balance unspent at beginning of year	(378 389)	(378 389)
Adjustments	378 389	
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	-	(378 389)

17.29 Mun Development Planning Capacity Building

Balance unspent at beginning of year	24 973	69 261
Current year receipts		
Conditions met - transferred to revenue		(44 288)
Conditions still to be met - remain liabilities (see note 7)	24 973	24 973

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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17.30 Municipal administrative Development

Balance unspent at beginning of year	9 000	100 000
Current year receipts		
Conditions met - transferred to revenue		(91 000)
Conditions still to be met - remain liabilities (see note 7)	<u>9 000</u>	<u>9 000</u>

17.31 Mziki LCH

Balance unspent at beginning of year	3 076 271	7 264 742
Adjustments	1 713 258	
Current year receipts	3 263 790	1 144 672
Conditions met - transferred to revenue	(8 627 199)	(5 333 143)
Conditions still to be met - remain liabilities (see note 7)	<u>-573 880</u>	<u>3 076 271</u>

17.32 Nokweja Disaster Fund

Balance unspent at beginning of year	22 858	22 858
Current year receipts		
Conditions met - transferred to revenue	(9 444)	
Conditions still to be met - remain liabilities (see note 7)	<u>13 414</u>	<u>22 858</u>

17.33 PMS Grant

Balance unspent at beginning of year	(117 499)	(114 858)
Adjustments	117 499	
Current year receipts		
Conditions met - transferred to revenue		(2 641)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(117 499)</u>

17.34 Programme Support

Balance unspent at beginning of year	16 908	16 908
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - remain liabilities (see note 7)	<u>16 908</u>	<u>16 908</u>

17.35 MSIG

Balance unspent at beginning of year	634 740	518 638
Current year receipts	367 000	735 000
Conditions met - transferred to revenue	(427 733)	(618 898)
Conditions still to be met - remain liabilities (see note 7)	<u>574 007</u>	<u>634 740</u>

17.36 Project Management unit

Balance unspent at beginning of year	(303 818)	
Current year receipts	303 818	8 892
Conditions met - transferred to revenue		(312 710)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(303 818)</u>

17.37 Property Rates Grant

Balance unspent at beginning of year	(148 952)	
Current year receipts	148 952	650 000
Conditions met - transferred to revenue		(798 952)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(148 952)</u>

17.38 Public Participation Governance

Balance unspent at beginning of year	(519 463)	(289 825)
Current year receipts	519 463	
Conditions met - transferred to revenue		(229 638)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>(519 463)</u>

17.39 Sangcwaba Grant

Balance unspent at beginning of year	566 573	804 092
Current year receipts	107 377	
Conditions met - transferred to revenue		(237 519)
Conditions still to be met - remain liabilities (see note 7)	<u>673 950</u>	<u>566 573</u>

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17.40 Sponya Housing Project

Balance unspent at beginning of year	(23 866)	
Adjustments	23 866	
Current year receipts	251 798	170 468
Conditions met - transferred to revenue	(251 798)	(194 334)
Conditions still to be met - remain liabilities (see note 7)	-	(23 866)

17.41 Waste Disposal Site

Balance unspent at beginning of year	413 050	487 582
Current year receipts		
Conditions met - transferred to revenue		(74 532)
Conditions still to be met - remain liabilities (see note 7)	413 050	413 050

18 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	9 256 977	8 038 226
Employee related costs - Contributions for UIF, pensions and medical aids	1 693 659	1 804 363
Travel, motor car, accommodation, subsistence and other allowances	125 000	180 328
Housing benefits and allowances	50 304	42 544
Overtime payments	121 189	186 122
Other employee related costs		
Total Employee Related Costs	11 247 129	10 251 583

There were no advances to employees.

Remuneration of the Municipal Manager

	2010	2009
	R	R
Annual Remuneration	249 187	318 452
Performance- and other bonuses	-	87 831
Travel, motor car, accommodation, subsistence and other allowances	146 863	148 008
Contributions to UIF, Medical and Pension Funds	4 278	30 495
Total	400 327	584 786

Remuneration of the Chief Finance Officer

	2010	2009
	R	R
Annual Remuneration	221 600	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	63 661	-
Contributions to UIF, Medical and Pension Funds	3 689	-
Total	288 950	-

Remuneration of Individual Executive Directors

Technical Services

	2010	2009
	R	R
Annual Remuneration	289 333	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	12 000	-
Contributions to UIF, Medical and Pension Funds	4 170	-
Total	305 503	-

Corporate Services

	2010	2009
Annual Remuneration	401 532	173 478
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	18 556	195 414
Contributions to UIF, Medical and Pension Funds	5 724	4 936
Total	425 812	173 478

Community Services

	2010	2009
	R	R
Annual Remuneration	287 042	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	95 567	-
Contributions to UIF, Medical and Pension Funds	4 884	-
Total	387 493	-

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

19 REMUNERATION OF COUNCILLORS

Mayor	462 099	458 719
Deputy Mayor	206 321	204 776
Speaker	227 370	223 673
Executive Committee Members	437 359	552 340
Councillors' allowances	2 885 921	2 593 014
Total Councillors' Remuneration	4 219 070	4 032 522

In-kind Benefits

The Mayor and one of the Executive Committee members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

20 CONTRACTED SERVICES

Contracted services for:
Internal Audit

357 032	-
357 032	-

21 GRANTS AND SUBSIDIES PAID

Grant Expenditure	14 702 413	746 184
Grant in aid		-
	14 702 413	746 184

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

22 GENERAL EXPENSES

Included in general expenses are the following:-

Advertisements	167 875	171 949
Audit-External	622 375	446 565
Bank Charges	78 031	18 179
Communication Costs	449 776	395 446
Chemicals,Cleaning,First Aid	19 672	4 038
Civic Reception	255 751	479 185
Cleaning Office	66 845	48 834
Community Awareness	24 750	11 870
Compensation Commissioner	-	22 525
Computer & IT Support Natis	106 369	-
Contract Eployees	190 892	-
Contract Eployees	417 447	58 083
Councillors Reimbursive Travel.	-	621
Special Project	47 821	143 877
Electricity	383 586	330 665
Employment Creation	-	59 760
Entertainment	44 997	56 843
Freight Costs/Hire Costs	297	-
Feul& Oil	404 804	430 262
Insurance	305 450	67 218
Internal Finance Charges	-	32 368
ID Campaign.	59 968	-
Legal Fees	689 675	341 065
Licences & Permits	60 991	8 238
Lost Books/Cd/Dvd	-	(594)
Marketing & Tourism	-	308
Occupational Safety	124 678	57 917
Paupers Indigent Support	-	9 310
Pest Control	4 190	-
Postage	8 059	1 074
Printing & Stationery	382 524	262 659
Refreshments	58 968	48 751
Refuse Bags	184 539	134 663
Reimburive Travel	170 560	163 159
Rental of Hardware/Software	412 302	83 338
S & T Accommodation.	255 473	172 961
Security.	163 741	86 820
Software Licence Fees	207 085	16 853
Stores & Maintenance.	9 861	51 388
Landfill Site	208 400	277 035
Subsiised Vehicles	69 600	69 600
Subs Membership & Publication.	116 954	142 246
Sundry.	5 695	35 111
Training	103 025	44 211
Traffic Levy.	-	3 007
Valuation Roll.	171 923	103 069
Youth Upliftment	610 521	443 884
Councillor Support Clerk	147 800	128 136
Special Programme.	-	1 940
Ward Committee	249 885	261 638
Strategic Plan.	542 413	739 319
IDP Small Projects.	557 209	463 118
Assets under R5000.	77 667	-
Destitute Support	53 058	12 598
Public Paticipation	150 578	-
Town Planning Innitiatives	407 720	-

9 851 800	7 687 294
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UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

23 OTHER INCOME

Included in other income are the following:-

Sundry income	141 931.55	
Licence commission	423 018.00	
Burial fees	31 807.00	
Building fees	68 078.00	
Advertisements boards	7 127.00	
Lost books	1 886.00	
Library photostats	10 135.00	
Admin fees	9 641.00	
Discount received	3 247.00	
Skills development	64 808.00	
	761 679	3 282 564

24 FINANCE LEASE LIABILITY

The Municipality only make use of operating leases as been disclosed in the notes.

25 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	445 663	22 586
Rental of equipment	303	-
Other rentals	-	319 495
Total rentals	445 966	342 081

26 INTEREST EARNED - EXTERNAL INVESTMENTS

Investment Interest	1 237 622	2 396 429
Bank Current Account	288 538	378 273
Total interest	1 526 160	2 774 702

27 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumer Debtors		-
Sundry Debtors	-	2 728
Total interest	-	2 728

28 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

29 Other income	761 679	-
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 33.1)		-
Total Other Income	761 679	-

30 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	2 404 621	-
Intangible assets		-
Investment property carried at cost		-
Total Depreciation and Amortisation	2 404 621	-

FINANCED FROM

Operating Expenditure (New assets)	151 612	
Accumulated surplus (Old assets)	2 253 009	
	2 404 621	

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

31 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	21 745 285	9 243 305
Adjustment for:-		
Depreciation and amortisation	2 404 621	-
Purchase of fixed assets	(12 526 675)	-
Corrections fixed assets	(435 585)	-
Finance costs- repayment of loan	(3 905 526)	-
Prior year errors	2 118 677	-
Interest earned housing operating account	16 767	-
Other non-cash item	-	2 162 645
Operating surplus before working capital changes:	9 417 564	11 405 950
(Increase)/decrease in trade receivables from exchange transactions.	(1 906 932)	(3 445 636)
(Increase)/decrease in trade receivables from non-exchange transactions.	2 738 862	-
(Increase)/decrease in VAT receivable	288 290	(6 014 839)
Increase/(decrease) in conditional grants and receipts	5 240 295	5 160 397
Increase/(decrease) in trade payables	(1 611 491)	(6 224 886)
Increase/(decrease) in VAT payable	(3 463 225)	3 525 834
Cash generated by/(utilised in) operations	10 703 364	4 406 820

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	12 985 583	2 502 643
Call Investment Deposits	27 218 294	26 997 870
Net cash and cash equivalents	40 203 876	29 500 513

33 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

33.1 Statutory Funds

Balance previously reported: -

Capital Development Fund	-	8 704 135
Public Improvement Fund	-	12 162 027
Total	-	20 866 162

Implementation of GRAP

Transferred to Accumulated Surplus/(Deficit) (see 35.3 below)	-	20 866 162
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33.2 Accumulated Depreciation

Balance previously reported -

Implementation of GRAP

Backlog depreciation: Buildings	-	2 716 829
Backlog depreciation: Infrastructure	-	2 063 820
Backlog depreciation: Community	-	1 321 173
Backlog depreciation: Other	-	3 825 722
Backlog depreciation: Investment Property	-	159 794
Backlog depreciation: Specialised Vehicles	-	308 138
Total (debited to Accumulated Surplus/(Deficit)) (see 35.3 below)	-	10 395 477

33.3 Accumulated Surplus/(Deficit)

Implementation of GRAP

Balance 30 June 2009	-	-
Transferred from statutory funds (see 35.1 above)	-	20 866 162
Backlog depreciation (see 35.2 above)	-	10 395 477
Total	-	31 261 638

34 CORRECTION OF ERROR

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
35.1 DISALLOWED

35.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	4 606 259	3 652 720
Unauthorised expenditure current year	0	953 539
Approved by Council or condoned	(4 606 259)	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	-	4 606 259

Incident

Unauthorised Expenditure - Over-expenditure on Grant Funding

IDP Grant	248 727
Sponya Housing Project	23 866
Chicken Abatoir	165 263
Project Management Unit	303 818
Property Rates Grant	238 952
Management Assistance	6 127
Disaster Fund	53 769
Library Building Grant	0
Inter Departmental monitoring Grant	38 504
PMS Grant	117 499
Pupic Participation Governance	519 463
Mgodi Multi Purpose	378 389
Led Gigima	56 000
Library Assistant	88 978
Fairview Low Cost Housing	2 036 249
Mahehle Low Cost Housing	330 655
	-
	4 606 259

35.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	
Fruitless and wasteful expenditure current year	
Condoned or written off by Council	
To be recovered – contingent asset (see note 55)	
Fruitless and wasteful expenditure awaiting condonement	

-	-
---	---

Incident

Disciplinary steps/criminal proceedings

35.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	-
Fruitless and wasteful expenditure current year	507 376
Condoned or written off by Council	
Transfer to receivables for recovery – not condoned	
Irregular expenditure awaiting condonement	
	-
	507 376

Incident

Irregular expenditure - Non Compliance with Supply Chain Management

Njane trading	6 150
Black expression	91 000
MS Blankets	17 800
Fire Alert	37 552
Canon Lodge	50 250
Saisan's Trading	46 500
Golden Empire Trading	159 600
Trevwest	28 320
Malinga Business Enterprise	55 205
Sukumani Makhosikazi	15 000
	-
	507 376

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

36 MANAGEMENT ACT

36.1 Contributions to organised local government

Opening balance		
Council subscriptions	62 852	
Amount paid - current	(62 852)	
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

36.2 Audit fees

Opening balance		
Current year audit fee	622 375	
Amount paid - current year	(622 375)	-
Amount paid - previous years		(446 565)
Balance unpaid (included in payables)	-	(446 565)

36.3 VAT

VAT input receivables and VAT output payables are shown in note 8 and 9. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE and UIF and Skills

Opening balance	-	-
Current year payroll deductions	1 792 307	1 370 050
Amount paid - current year	(1 792 307)	(1 370 050)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

36.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	2 777 229	2 571 004
Amount paid - current year	(2 777 229)	(2 571 004)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

36.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2010

		Total	
		R	
Councillor N J Pieterse (Acc No 136835)	R 1867.96	1 868	
Councillor N J Pieterse (Acc No 111571)	R 312.31	312	
Councillor N J Pieterse (Acc No 136646)	R 2187.51	2 188	
Councillor B E Mdlalose (Acc No 119641)	R 1186.64	1 187	
Total Councillor Arrear Consumer Accounts		5 554	-

36.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

None

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

37 CAPITAL COMMITMENTS

37.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure
Community
Heritage
Other

26 479 734 -

1 550 000	
24 929 734	

- Approved but not yet contracted for

Infrastructure
Community
Heritage
Other

- **18 895 871**

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Total

26 479 734 **18 895 871**

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

26 479 734 18 445 871
- 450 000

26 479 734 **18 895 871**

37.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Operating leases paid per annum.

Total

474 211 -

474 211 -

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases and rentals are negotiated for an average of three years.

ISL Finance property Pty (Ltd) - PAX Sytem

Steiner Hygiene

Xerox

Netstar

Nasua

Tracker

Trade Page

32 280

45 038

320 361

4 214

29 160

4 284

38 874

474 211

38 RETIREMENT BENEFIT INFORMATION

38.1 Defined contribution plan

The following are defined contribution plans These contributions have been expensed.

38.2 Defined benefit plan

Personnel are members of the Natal Joint

Municipal Pension Funds and South African Local Authorities

Pension Funds. The last actuarial valuation for SALA was on

1 July 2006. The last actuarial valuation for Natal Joint

Pension Funds was 31 March 2008.

39 CONTINGENT LIABILITY

39.1 Claim for damages

1 I Essop

2 Net Projects

60 000

2 575 000

2 Net Projects

3 Donation Transfers of Subs 46 & 48 farm Ezperanza No 1938

2 385 000

2 635 000 **2 385 000**

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

40 CONTINGENT ASSET

None

41 IN-KIND DONATIONS AND ASSISTANCE

None

42 RELATED PARTIES

Joint Ventures
Associates
Members of key management
Close family member of key management
Post employment benefit plan for employees of municipality and/or other related parties
Other related party relationships

Related party balances

43 EVENTS AFTER THE REPORTING DATE

None

44 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Present value of defined benefit obligation
Provision for doubtful debts

45 RISK MANAGEMENT

45.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash.

45.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

45.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits

46 RESTATEMENT OF COMPARATIVE INFORMATION

Provision for leave have been reclassified as accruals. The effect of the restatement is summarised below:

Statement of Financial Position:

Provisions
Accruals - leave

UBUHLEBEZWE MUNICIPALITY

APPENDIX A

APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2010

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/09	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/10
		%		R	R	R	R
Annuity Loans							
DBSA	101749/1	5.00%	2011/03/31	915 352	-	(915 352)	-
DBSA	101749/2	5.00%	2017/09/30	2 990 173	-	(2 990 173)	-
Total Annuity Loans				3 905 525	-	(3 905 525)	-
TOTAL EXTERNAL LOANS				3 905 525	-	(3 905 525)	-

UBUHLEBEZWE MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Correction	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	
Land	4 179 772					4 179 772					-	4 179 772
Buildings	9 946 649			(40 862)		9 905 787	2 783 601	334 016			3 117 617	6 788 170
Infrastructure	11 808 643	2 720 144		2 102 463		16 631 250	2 063 820	755 379			2 819 199	13 812 050
Community Assets	13 440 012	7 892 589		778 605		22 111 206	1 414 195	477 484			1 891 679	20 219 527
Heritage Assets						-					-	-
Other Assets	6 270 529	1 091 233				7 361 762	3 825 722	795 661			4 621 383	2 740 379
Investment Properties						-					-	-
Intangible Assets						-					-	-
Specialised Vehicles	308 359	822 709				1 131 068	308 138	42 081			350 219	780 849
Total	45 953 963	12 526 675	-	2 840 206	-	61 320 844	10 395 476	2 404 621	-	-	12 800 097	48 520 747

UBUHLEBEZWE MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation						Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Corrections	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Budget & Treasury	1 054 364	49 208			41 969	1 145 541	853 485	72 604		926 089	219 451
Community Services	11 439 535	5 217 460			-47 737	16 609 258	1 183 041	489 751		1 672 792	14 936 466
Corporate Services	14 362 575	82 005				14 444 579	3 362 873	377 457		3 740 330	10 704 249
Executive & Council	713 495	367 543				1 081 038	569 647	120 137		689 784	391 254
Housing	28 907					28 907	7 573	5 101		12 674	16 233
Planning & Development	302 972	38 934				341 905	106 533	35 498		142 031	199 875
Public Safety	873 866	405 889				1 279 756	548 569	91 564		640 132	639 623
Roads	13 394 483	2 720 144			2 102 463	18 217 090	2 681 979	1 003 687		3 685 666	14 531 424
Solid Waste	503 327	822 709				1 326 035	428 780	56 769		485 550	840 486
Sports & Recreation	3 280 438	2 822 784			743 511	6 846 734	652 996	152 053		805 049	6 041 685
Total	45 953 963	12 526 675	0	0	2 840 206	61 320 844	10 395 476	2 404 621	0	12 800 097	48 520 747

UBUHLEBEZWE MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009	2009	2009		2010	2010	2010
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
-	6 869 652	(6 869 652)	Revenue - Standard			
-	4 953 498	(4 953 498)	Executive and council	1 350 000	7 760 328	(6 410 328)
-	1 916 154	(1 916 154)	Mayor and Council	1 350 000	6 166 823	(4 816 823)
			Municipal Manager	-	1 593 505	(1 593 505)
28 303 964	1 989 018	26 314 946		54 598 025	15 677 383	38 920 642
28 303 964	1 989 018	26 314 946	Budget and treasury office	54 598 025	15 677 383	38 920 642
343 237	3 778 601	(3 435 364)	Corporate services	395 168	4 029 976	(3 634 808)
-	1 518 022	(1 518 022)	Human Resources	-	-	-
323 312	235 101	(558 413)	Property Services	330 360	165 073	165 288
19 925	2 025 478	(2 045 403)	Other Admin	64 808	3 864 904	(3 800 095)
45 543	2 874 417	-2 828 874	Community services	45 722	3 347 093	(3 301 371)
-	843 855	(843 855)	Community and social services	31 808	2 012 295	(1 980 487)
9 333	310 877	(301 544)	Libraries and Archives	13 914	370 168	(356 254)
-	169 220	(169 220)	Community halls and Facilities	-	215 824	(215 824)
36 210	-	36 210	Cemeteries & Crematoriums	-	-	-
-	6 794	(6 794)	Other Social	-	-	-
-	1 543 671	(1 543 671)	Sport and recreation	-	748 806	(748 806)
2 453 720	2 570 087	(116 367)	Public safety	3 306 357	2 785 162	521 195
2 453 720	2 014 464	439 256	Traffic	3 306 357	2 198 263	1 108 094
-	555 623	(555 623)	Fire	-	586 899	(586 899)
19 822	195 228	(175 406)	Housing	1 425	209 890	(208 466)
19 822	195 228	(175 406)	Housing	1 425	209 890	(208 466)
19 503	848 976	(829 473)	Planning and development	11 189 362	12 742 029	(1 552 667)
-	746 657	(746 657)	Economic Development/Planning			0
19 503	102 319	(82 816)	Town Planning/Building enforcement	11 189 362	12 742 029	(1 552 667)
36 267	1 231 596	(1 195 329)	Road transport	37 964	1 669 313	(1 631 348)
36 267	1 231 596	(1 195 329)	Roads	37 964	1 669 313	(1 631 348)
-	727 112	(727 112)	Electricity	-	-	-
1 019 294	1 913 358	(894 064)	Waste management	1 045 772	2 003 335	(957 563)
1 019 294	1 913 358	(894 064)	Solid Waste	1 045 772	2 003 335	(957 563)
32 241 350	22 998 045	9 243 305	Total Revenue - Standard	71 969 796	50 224 510	21 745 285

UBUHLEBEZWE MUNICIPALITY

APPENDIX E

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2008/2009 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2009/2010 financial statements	Grants and Subsidies delayed/ withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance	
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June							
				1	2	3	4		1	2	3	4							
Equitable Share	National Treasury	-					29 012 539					29 012 539	-	No	N/a	Yes	N/a		
Anti Corruption Grant	Digta	177					-					-	177	No	N/a	Yes	N/a		
C D W Grant	Digta	10 928					-					10 928	-	No	N/a	Yes	N/a		
C M I P Grant	National Treasury	(1 959)	1 960				-					-	-	No	N/a	Yes	N/a		
Capital Investment Program	Digta	203 500					-		193 800			193 800	9 700	No	N/a	Yes	N/a		
Chicken Abattoir	Digta	(165 263)	165 263				-					-	-	No	N/a	Yes	N/a		
Disaster Fund	Digta	(53 769)	53 769				-					-	-	No	N/a	Yes	N/a		
Fairview Housing	Digta	(2 036 249)	2 036 249				-					-	-	No	N/a	Yes	N/a		
Financial Management Grant	National Treasury	729 913		1 500 000			1 500 000	588 413	178 583	163 184	571 881	1 502 061	727 852	No	N/a	Yes	N/a		
M F M A Implementation Plan	Digta	134 899					-					-	134 899	No	N/a	Yes	N/a		
G I S Grant 07/08	Digta	157 750					-					-	157 750	No	N/a	Yes	N/a		
G I S Grant	Digta	79 856					-					-	79 856	No	N/a	Yes	N/a		
Hawkers/Taxi Grant	Digta	1 033 341					-					-	1 033 341	No	N/a	Yes	N/a		
H R Systems Governance	Digta	7 170					-					-	7 170	No	N/a	Yes	N/a		
I D P Grant	Digta	(248 727)	248 727				-					-	-	No	N/a	Yes	N/a		
Inter Departmental Grant	Digta	(38 504)	38 504				-					-	-	No	N/a	Yes	N/a		
Internal Roads	Digta					11 500 000	11 500 000					968 400	968 400	10 531 600	No	N/a	Yes	N/a	
Ithubalethu Housing	Digta					402 268	402 268					402 268	402 268	-	No	N/a	Yes	N/a	
Ixopo Sportfields	Digta	(331 040)					-		23 982			-	23 982	307 058	No	N/a	Yes	N/a	
Kuyasa School Grant	Digta	4 302					-					-	4 302	No	N/a	Yes	N/a		
L E D Gijima	Digta	(56 000)	56 000				-					-	-	No	N/a	Yes	N/a		
Land Use Management	Digta	250 555					-		30 317			-	30 317	220 238	No	N/a	Yes	N/a	
Library Assistant	Digta	(88 978)	88 978			96 000	96 000	23 583	22 961	22 961	23 471	92 977	3 023	No	N/a	Yes	N/a		
Library Building Grant	Digta	884 222	(973 000)				-					-	-	No	N/a	Yes	N/a		
M I G Grant	National Treasury	12 970 820	(3 187 492)	2 900 000	3 000 000	2 960 000	1 304 000	10 164 000	2 125 516	959 387	3 415 135	7 433 939	13 933 977	6 013 351	No	N/a	Yes	N/a	
Mahehle L C H	Digta	(330 655)	330 654				-					-	-	No	N/a	Yes	N/a		
Management Assistance	Digta	(6 127)	6 127			300 000	300 000					11 106	11 106	288 894	No	N/a	Yes	N/a	
Marithal Project	Digta	8 197					-					-	8 197	No	N/a	Yes	N/a		
Market Stalls	Digta	350 877					-					-	350 877	No	N/a	Yes	N/a		
Mgodi Multi Purpose Centre	Digta	(378 389)	378 389				-					-	-	No	N/a	Yes	N/a		
Municipal Development Planning Capacity Building		24 973					-					-	24 973	No	N/a	Yes	N/a		
Municipal Administrative Development	Digta	9 000					-					-	9 000	No	N/a	Yes	N/a		
Mziki L C H	Digta	3 076 271	1 713 258	2 495 118	768 672		3 263 790	4 035 672	3 438 657	1 152 870		8 627 199	-573 880	No	N/a	Yes	N/a		
Nokweja Disaster Fund	Digta	22 858					-				9 444	9 444	13 414	No	N/a	Yes	N/a		
P M S Grant	Digta	(117 499)	117 499				-					-	-	No	N/a	Yes	N/a		
Programme Support	Digta	16 908					-					-	16 908	No	N/a	Yes	N/a		
Project Consolidate	Digta	634 740	367 000				-	234 900	14 737	20 700	157 396	427 733	574 007	No	N/a	Yes	N/a		
Project Management Unit	Digta	(303 818)	303 818			386 147	386 147	75 162	109 233	201 753		386 147	-	No	N/a	Yes	N/a		
Property Rates Grant	Digta	(148 952)	148 952				-					-	-	No	N/a	Yes	N/a		
Public Participation Governance	Digta	(519 463)	519 462				-					-	-	No	N/a	Yes	N/a		
Sangcwaba Grant	Digta	566 573				107 377	107 377					-	673 950	No	N/a	Yes	N/a		
Sponya Housing Project	Digta	(23 866)	23 866		251 798		251 798		107 598			251 798	-	No	N/a	Yes	N/a		
Waste Disposal Site	Digta	413 050					-					-	413 050	No	N/a	Yes	N/a		
		17 072 662	2 106 943	6 895 118	4 020 471	3 646 147	13 409 645	56 983 920	7 083 245	5 079 254	4 986 047	9 723 589	55 884 675	21 029 709					
						56 983 920					55 884 675								
												573 880							
Unspent grants at 30 June 2009 - Note 7		17 072 662												21 603 589					
												Reflected as other debtors - claims submitted awaiting settlement - Note 12							
												Unspent grants at 30 June 2010 - Note 7							

UBUHLEBEZWE MUNICIPALITY
APPENDIX F

APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	Actual 2010	Budget 2010	Variance 2010	Variance 2010	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(4 213 343)	(3 881 795)	(331 548)	8.54%	n/a
Property rates- penalties imposed and collection charges			-		
Service charges	(1 045 771)	(1 042 933)	(2 838)	0.27%	n/a
Rental of facilities and equipment	(445 966)	(405 844)	(40 122)	9.89%	n/a
Interest earned- external investments	(1 526 160)	(1 602 301)	76 141	-4.75%	n/a
Fines	(23 887)	(25 868)	1 981	-7.66%	n/a
Licences and permits	(2 899 197)	(2 730 052)	(169 145)	6.20%	n/a
Government grants and subsidies	(42 698 685)	(51 297 826)	8 599 141	-16.76%	Due to grants received in unspent conditional grants.
Other income	(761 679)	(583 792)	(177 887)	30.47%	Due to over collection on vehicle commission and other income etc.
Fixed assets funded from grants	(10 671 458)	-	(10 671 458)	100.00%	Transfer from unspent conditional grants for asset additions.
Total Revenue	(64 286 146)	(61 570 411)	(2 715 735)	4.41%	
EXPENDITURE					
Employee Related Costs	11 247 129	13 577 758	(2 330 629)	-17.17%	Due to vacancy that has been filled for only a portion of the year.
Remuneration Of Councillors	4 219 070	4 411 000	(191 930)	-4.35%	n/a
Repairs And Maintenance	1 069 079	1 219 569	(150 490)	-12.34%	Due to urgent/emergency repairs/maintenance.
Depreciation	151 612	-	151 612	100.00%	Not budgeted for depreciation on PPE.
Grants & Subsidies Paid	14 702 413	23 636 728	(8 934 315)	-37.80%	Expenditure allocated directly to unspent conditional grants.
General Expenses - Other	10 208 832	11 274 813	(1 065 981)	-9.45%	n/a
Interest Expense - External Borrowings	102 011	239 549	(137 538)	-57.42%	Due to early settlement of external loan.
Redemption Payments- External	-	3 951 482	(3 951 482)	-100.00%	Due to early settlement of external loan.
Contributions to provisions.	840 715	3 269 512	(2 428 797)	-74.29%	Due to own capital contribution for PPE
Total Expenditure	42 540 861	61 580 411	(19 039 550)	-30.92%	
NET (SURPLUS)/ DEFICIT FOR THE YEAR	(21 745 285)	10 000	(21 755 285)		